

FISCAL NOTE

Bill #: HB0509

Title: Revise elderly renters tax credit to account for inflation

Primary Sponsor: Jacobson, H

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	(\$5,163,406)	(\$5,163,406)
Net Impact on General Fund Balance:	(\$5,163,406)	(\$5,163,406)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. Under current law, elderly taxpayers are allowed a refundable credit against individual income taxes for property taxes or, for renters, rent-equivalent property taxes paid during the tax year. Calculation of the tax credit is dependent on several parameters of the program including the standard deduction allowed in computing household income, the bracket boundaries of the rate schedule used to determine the reduction factor, the income phase-out ranges for the credit, and the maximum amount of credit allowed.
2. This bill would adjust these parameters to account for inflation since the parameters were established, and provide for annual adjustment to these parameters to account for future inflation. The maximum credit allowed would be increased from \$1,000 to \$1,250 and also adjusted annually for inflation.
3. The bill applies retroactively to tax years beginning after December 31, 2004 (tax year 2005); the first full-year revenue impact of this bill will occur in FY 2006.
4. The Department of Revenue maintains a database of all elderly homeowner/renter returns filed for a given tax year. The most recent tax year for which all returns are available is 2003. In that year, elderly taxpayers claimed a total elderly homeowner/renter credit of \$11,889,280. A computer simulation program was applied to the tax year 2003 database to determine the amount of credit that would have been claimed in tax year 2003 had the provisions of this bill been in place in that year. That program shows that the amount of credit would have increased to \$17,052,686; which represents an increase in credit

Fiscal Note Request HB0509, As Introduced

(continued)

claimed of \$5,163,406. Under this bill, individual income tax (state general fund) revenues will decrease by this amount each year, beginning with FY 2006.

5. There are no administrative impacts associated with this bill.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$(5,163,406)	\$(5,163,406)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$(5,163,406)	\$(5,163,406)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

General fund revenues are reduced each future fiscal year by \$5,163,406.